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In Vancouver

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Queen's University at Kingston

The Single-Tax Failure in Vancouver

Letter by F. C. WADE, K. C.

To the Vancouver "Sun"

January 7th, 1914

MR. L. D. TAYLOR seems anxious to make the so-called single-tax an issue in the present mayoralty campaign. If elected he will endeavor to have a clause exempting all improvements from taxation incorporated in the city charter. We will not then be able to change our method of taxation, even if we are unanimously in favor of doing so, without the consent of the legislature. This would be shearing the citizens of their powers with a vengeance.

In supporting the system now obtaining many mouth-filling phrases are used, which are expected to appeal to the average audience. Mr. Taylor favors exemption of improvements from taxation, because "nothing that man creates, or brings into being should be taxed." The inference intended to be drawn is that the system of taxation prevailing in Vancouver has that effect. We are expected to forget that the customs receipts for Vancouver alone — consisting entirely of taxes on the products of man's

industry—amounted in the year just closed to \$8,235,273.19, while the inland revenue tax was \$666,237.48. The entire Dominion is financed by taxing the products of industry. If all the skyscrapers and apartment houses of Canada were exempt from taxation, the whole expenditure of the Dominion would continue to be provided by taxes, direct or indirect, on the products of human industry.

Similarly, persistent effort is made to mislead the gullible portion of the electorate by mixing up the Vancouver system of taxation and the Henry George theory. Henry George is a name to conjure with. Many who have never read a line of Henry George will rush under anything held up as a Henry George banner. As a matter of fact there is no resemblance between the Henry George theory and single-tax, as we have it in Vancouver. The Henry George system precluded all customs taxes, all inland revenue, as well as income taxes, personal property taxes, poll taxes, death taxes and all the other exactions which we have to bear in Vancouver. Rent alone was to pay all the taxes of the community under the Henry George system. By single-tax he meant one single solitary tax, and no other. Here we live under a dozen systems of taxation. Each one of the twelve may be single, but the aggregate, for all that, is none the less.

All we have to do with here is a system which exempts buildings from taxation and places the civic taxation on the land. This, we are told, is not only an equitable system of taxation, but one peculiarly favorable to the poorer man, and those less able to carry its common burden.

To what extent will this claim bear investigation? The assessment value of buildings for 1914 is \$76,215,783. On all these millions no taxes will be paid. To what extent does this exemption benefit the poor and the rich man respectively? An analysis of building permits should provide the answer. From January to October, inclusive, 1913, they were as follows: Permits for (1) rooming houses, \$1,216,179; (2) factories and warehouses, \$1,833,008; (3) offices and stores, \$5,249,996; (4) private houses, \$1,589,257. The first three classes will have to be credited to the well-to-do section of our population. They aggregate \$8,299,183. Of the \$1,589,257 expended on private houses, let us assume that two-thirds of the total was expended by the wealthier classes. In that case, \$529,752 was expended on dwellings by the poorer classes and \$1,059,504 by the well-to-do. The total exempted from taxation, therefore, would be \$9,988,440, of which the poor man's total exemption would be \$529,753. In other words, about seventeen-eightieths of the exemption is in favor of

the wealthier classes, and one-eighteenth in favor of those not so well provided. Applying this ratio to the total exemptions of buildings for 1914 we find that while the poorer man is exempted on \$4,234,209 improvements, the wealthier classes escape taxation on \$71,981,574. Let us carry the comparison still farther, using the same ratio. The system of totally exempting buildings from taxation has been in vogue since 1910. The grand aggregate of "improvements" exempted since then amounts to \$267,172,837. Out of this grand aggregate the poorer man secured exemption on \$14,842,935.38 in buildings, while the exemption of the wealthier classes amounted to \$242,329,897.62! This system of taxation is called the poor man's boon! We hear nothing about the rich man's boon.

Let us look at it in another way. Under this system the lot which supports a modest residence or store, or no building at all for that matter, must pay the same tax as the adjoining piece of ground, carrying a sixteen-story sky-scraper. The one may bring in little or no revenue. If reserved as a garden or lawn it must bring in nothing, and bear the cost of up-keep. The neighboring sky-scraper is a city in miniature. The rents are high and only those who are well-to-do can occupy its palatial offices. A bank and a trust company may use the ground floor, paying a prince's

ransom by way of rental, and the other floors are allotted to insurance companies, financial agents, loan companies and professional men. In the sky-scraper are hived practically all the great money-making agencies of the city. Not one of these pays a cent of civic taxation on the building. If the structure is centrally situated and fully occupied, the landlord can count on anywhere from 25 to 40 per cent. annual profit. Yet he pays no tax on his money-making "improvement." For his fire protection, police protection and other civic services he contributes not a sou. His neighbor with the vacant lot, which requires neither fire nor police protection, nor many other civic services, pays equally with him into the civic exchequer. One of the four great maxims or axioms of political economists the world over is that taxation shall be equal. "The subjects of every state," they say, "ought to contribute to the support of the government, as nearly as possible in proportion to their respective abilities; that is, in proportion to the revenue which they respectively enjoy under the protection of the state. In the observations of neglect of this maxim consists what is called the equality or inequality of taxation." Why have we departed from this principle? The excuse given is that all taxes should fall on the land because of the "unearned increment." Let us see how this applies.

There can be no question that the man who can afford to build a fourteen-storey structure multiplies the size of his land by fourteen. From an earning standpoint he multiplies it by eight or ten, as against the earning power of a one-storey building. The increment becomes eight or ten times as large. A great deal of the increment is earned by the investment of his capital, but a great deal of it is unearned and a great deal of it is adventitious, owing its value to central situation, traffic and the very same influences which add "unearned increment" to the land. A sky-scraper which produces a splendid income on Hastings or Granville streets would be worse than valueless on the top of Grouse Mountain. If anyone imagines that the capitalist earns nothing but interest on the cost of his bricks and mortar, let him put up for a week at a west-end hotel, or rent a suite of rooms in a fashionable apartment block. Why should not the unearned increment pay in the one case as in the other?

One of the great advantages claimed for the exemption of "improvements" is that it ensures a compact city. This is evidently the view of the building inspector. "The most prominent feature in connection with the building returns of Vancouver," he says, "is shown when the area covered is compared with other cities. From returns at hand I find per square mile of area,

Vancouver leads every city on the continent of America." This is his proud boast. It is in order now for some one to point with approval to the huddled condition of London before the fire, or to hold up the most crowded quarters of Canton as a model to the world. This alone should condemn the system. That it has the effect claimed for it, no one can deny. The taxes on gardens, lawns and open spaces are prohibitory. Everything must be built up. Every open gap must be closed. We must have a compact city. Rather than expand our area let us build 200 feet in the air and immure our wives and children in apartment blocks and deprive them as far as possible of every beautiful and healthful natural surrounding. At the same time we are likely to have some trouble in escaping from the conclusion that a crowded wooden city is a standing invitation to fire, and a menace to the health and enjoyment of its population. The cry for open spaces is a necessary result of the stupid policy pursued. Park sites and improvements have already cost \$1,260,600, notwithstanding that we have in Stanley Park a recreation ground said to be equal in value to the national debt.

To some of socialistic tendency the policy of heaping taxes on the land appeals on the ground that it will force the land owner to let go his hold and cheapen the price of

real estate. We have been pursuing the policy of partial or total exemption of improvements and transferring taxes, partially or wholly, to the land since 1895, so that there has been plenty of time to see the results of the experiment. The assessment rose from \$76,881,820 in 1910 by leaps and bounds to \$150,629,410 for the present year. It does not look as if even all the unjust and exorbitant taxation which has taken place has had the desired effect. The value of land, instead of decreasing, has almost doubled. Even had it accomplished what was hoped for, it must not be forgotten that heavy taxes imposed for the purpose of confiscation will fall just as heavily on him who buys as on the vendor who was forced to sell. What benefit is conferred on the poor man by such a system?

In support of the system it has been continually claimed that we have been able to carry it on without increasing the rate of assessment by a single mill. In this there is not a word of truth. From 1895 to 1905 50 per cent. of improvements were taxed. From 1906 to 1909 25 per cent. were taxed. Since 1910 all have been exempt. When the exemption was 50 per cent. the tax went up from 16 to 18 mills. When the exemption was increased to 75 per cent. the general rate went up from 18 mills to 20 mills and has remained there ever since.

But it is really more than 20 mills. The aggregate last year was made up as follows:

10.30 mills	General taxes	-----	\$1,490,926
7.61 mills	Interest and Sinking Fund		1,101,771
4.31 mills	Schools	-----	624,769
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22.22 mills		-----	\$3,217,466

The gross result is therefore not 20, but 22.22 mills. A discount is allowed of 10 per cent. if paid by December 15, but all who cannot pay at that date are taxed at 22.22, not 20 mills. How serious this is is shown by the total in the column of arrears at the close of each year. The arrears this year, I understand, are \$767,528, as against \$410,136.12 last year and \$265,019.90 the year before. As the arrears have nearly doubled each year it is evident that the tax is felt to be extremely oppressive. A total of \$767,528, or more than three-quarters of a million taxes this year, it appears paid 22.22 mills.

Perhaps the most loudly vaunted claim on behalf of the Vancouver system was that it caused an amount of building expansion and created an era of prosperity unparalleled anywhere on this continent. This triumphal blast has been heard the world over, and has no doubt created in some quarters a desire to follow in Vancouver's footsteps. On another occasion I pointed out that the great prosperity which

we enjoyed arose from the same causes which were operating in every city in Canada. Our prosperity was part of the general prosperity, added to by our exceptional situation and equable climate. At the same time I recognized that exemption of buildings from taxation might have considerable effect in inducing a building boom, but could not be counted among the healthy causes of prosperity. So long as our building permits and bank clearings rose by leaps and bounds there were many ready to believe that all was owing to the magic of single-tax. It only required a little financial pressure to show how absurd was the pretense and to bring us back to earth. From \$13,150,365 in 1910, the building permits bounded up to \$17,652,642 in 1911 and \$19,388,322 in 1912. All and sundry were challenged to behold the results of "single-tax magic." But single-tax is still with us yet the building permits for 1913 have fallen to \$10,424,447—nearly one-half. Worse than that, the permits for December, 1912, were \$1,530,365, and for December, 1913, \$175,245. The aggregate for the year has been nearly cut in two, while the aggregate for the last month of this year is one-eighth of what it was for the same period last year. Bank clearings have also fallen, though not to a serious extent, and customs receipts have undergone a shrinkage. I point these things out, not

with any view of depreciating Vancouver, but simply to establish the position previously taken, that the great causes of stability and progress or the reverse, are entirely independent of the nostrums of "single-tax" advocates. To clinch the argument, if that is necessary, it may be pointed out that Winnipeg's building permits for eleven months this year amounted to \$18,000,000 as against \$15,106,450 for the full year in 1910, while her bank clearings exceeded those of last year by \$97,159,713. Similarly Toronto's bank clearings this last year exceed those of 1912 by \$11,000,000, and in Montreal the increase has been \$34,648,000. None of these cities enjoyed the wonderful advantages of single-tax.

While I admit that exemption from taxation of "improvements" has helped to create a building boom, I repeat that to the extent that this inflation has been caused by "single-tax" it has been an unhealthy stimulus. I have before me figures showing the extent to which some of the most recent, as well as some of the oldest structures, are occupied, but say nothing with regard to them except that those who have been induced by exemption from taxation to rush up costly structures for which there is at present no adequate demand, have every reason to heap anything but blessings on the devoted heads of all "single-tax" boomsters.

In conclusion let me call attention to the fact that the civic assessor has increased the land assessment from \$144,974,525 in 1913 to \$150,629,410 in 1914, an advance of \$5,654,885. It is difficult to speculate as to the facts which justify this increase. Rents have decreased, in some cases very considerably. According to the assessor's own report our population has fallen off to some extent. Real estate is firmly held, but no one outside of the assessor's office will be foolish enough to claim that it has increased in value. At the same time the inability of owners to meet the taxes is becoming more marked each year. The total of arrears at the close of 1909 was \$150,231.20; 1910, \$179,296.74; 1911, \$265,019.90; 1912, \$410,136.12, and 1913, \$767,528.00, nearly one-fourth of the entire tax levy for the year. It is only a question of time until there will be a general upheaval in Vancouver against this system of artificial and forced assessments of small property owners and householders to avoid taxing the million-dollar sky-scrapers and apartment blocks, and against the foolish faddists who never cease in their endeavor to warp the mind of the laboring man into believing that this sort of thing is for his benefit. "Single-tax," as we have it in Vancouver, is a boon to the rich and a burden on the shoulders of the poor. Its humbugging nostrums will not bear serious investigation. Besides

being oppressive and unjust it is useless for the purposes it is said to serve. It is high time to wipe out "single-tax" and to return to honest methods.

F. C. WADE.

January 6, 1914.

Note.—The above remarks are not directed against Mr. Taylor particularly. A system cannot be kept up by any one man, or any half dozen. Mayor Baxter recently informed the mayor of Winnipeg that there is still in Vancouver a majority overwhelmingly in favor of single-tax. It is difficult to see what foundation there can be for the statement. Six of the aldermen are known to be strongly opposed to such a system of taxation, three more think that high buildings should pay their share of the city taxes, one admits that he knows nothing about it, one, a real estate agent, finds it a convenient talking point with his customers, one has no pronounced views, and only four aldermen, I believe, are out and out supporters of the system. Were it not for the fear of the large owners the whole rotten arrangement would fall in pieces tomorrow.

F. C. W.

